



NALA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 32, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr MP Thithi
Municipal Manager

25 NOVEMBER 2008

NALA LOCAL MUNICIPALITY**INDEX**

	Page
General Information	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Accounting Policies	6
Notes to the Financial Statements	11
Appendix A: Schedule of External Loans	24
Appendix B: Analysis of Property, Plant and Equipment	25
Appendix C: Segmental Analysis of Property, Plant and Equipment	26
Appendix D: Segmental Statement of Financial Performance	27
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	28
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	29
Appendix F: Disclosure of Grants and Subsidies	30



NALA LOCAL MUNICIPALITY

GENERAL INFORMATION

MAYOR:

Cllr Mpai Martha Mogorosi

SPEAKER:

Cllr Nozitho Mashiya

CHIEF WHIP

Cllr D M Masisi

EXECUTIVE COMMITTEE:

Cllr MS Mabaso

Cllr RD Mpatane

Cllr DC Ross

Cllr DA Malapa

GRADING OF THE LOCAL MUNICIPALITY

Grade 6

AUDITORS:

Auditor- General (Provincial)

BANKERS:

First National Bank

REGISTERED OFFICE:

8 Preller street

Bothaville

9660

MUNICIPAL MANAGER:

Mr Mokebe Thithi

CHIEF FINANCIAL OFFICER

Mr Khutso Shongwe



Nala Local Municipality

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		1,700,543	21,677,381
Capital replacement reserve		-	-
Government grant reserve		28,132,150	23,490,520
Revaluation reserve		-	-
Accumulated surplus / (deficit)		(26,431,607)	(1,813,139)
Non-current liabilities		19,017,027	19,462,412
Long-term	1	19,017,027	19,462,412
Provisions	2	-	-
Current liabilities		39,161,674	45,645,697
Consumer deposits	3	1,013,225	712,561
Provisions	5	3,221,420	2,964,622
Creditors	4.1	27,948,115	30,976,248
Sundry deposits	4.2	71,561	66,442
Unspent conditional grants and receipts	6	503,885	5,834,211
VAT	7	2,729,439	2,030,142
Bank Overdraft	14	-	-
Short term portion of long term liabilities	1	3,674,029	3,061,471
Total net Assets and Liabilities		59,879,244	86,785,490
ASSETS			
Non-current assets		41,175,833	33,393,357
Property, plant and equipment	8	39,819,201	32,177,726
Investments	9	1,280,243	1,087,166
Receivables	10	76,389	128,465
Current assets		18,703,411	53,392,133
Inventories	11	850,617	251,576
Consumer debtors	12	4,879,235	35,206,742
Other debtors	13	2,256,044	2,974,457
Current portion of long-term debtors	10	-	-
Investments (Short term)	14	4,519,739	8,484,553
Cash and cash equivalents	14	6,197,776	6,474,805
Total Assets		59,879,244	86,785,490



Nala Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	Actual	
		2008 R	2007 R
REVENUE			
Property Rates	15	10,028,757	8,076,778
Property Rates - Penalties and Collection charges		-	0
Service Charges	16	69,525,073	65,256,400
Rental of facilities and equipment		50,801	41,718
Interest earned - external investments		1,911,574	1,025,394
Interest earned - outstanding debtors		8,946	0
Fines		41,113	66,279
Licences and permits		3,220	2,062
Income for agency service		-	0
Government grants and subsidies	17	140,961,680	85,659,796
Other income	18	3,791,475	614,310
Gains on disposal of property, plant & equipment		-	-
Total Revenue		226,322,639	160,742,737
EXPENDITURE			
Employee related cost	19	37,679,086	34,919,426
Remuneration of Councillors	20	5,241,928	4,782,708
Contribution to provisions		43,082,942	12,302,890
Depreciation		1,575,649	113,200
Repairs and maintenance		6,756,425	2,877,393
Interest paid	21	3,643,950	8,026,629
Bulk Purchases	22	24,591,606	24,023,599
Contracted services		6,008,620	2,761,705
Grants and Subsidies paid		14,125,512	16,731,578
General expenses	23	108,090,851	24,912,553
Total expenditure		250,796,569	131,451,681
SURPLUS FOR THE YEAR		(24,473,930)	29,291,056



Nala Local Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

		Capital replacement reserve	Government grant reserve	Accumulated surplus/(deficit)	Total
2007					
Balance at 1 July 2007	33.1	11,797,774	-	(5,119,927)	6,677,847
Correction of error	33.3	-	-	(14,291,522)	(14,291,522)
Implementation of GAMAP		(11,797,774)	-	11,797,774	11,797,774
Change in Accounting policy		-	-	-	-
Restated Balance		-	-	(7,613,675)	(7,613,675)
Surplus for the year		-	-	29,291,056	29,291,056
Property, Plant & Equipment purchased		-	-	-	-
Capital grants used to purchase PPE		-	23,524,188	(23,524,188)	-
Other transfers		-	-	-	-
Offsetting of Depreciation		-	-	-	-
Offsetting of Depreciation		-	(33,668)	33,668	-
Balance at 30 June 2007		-	23,490,520	(1,813,139)	21,677,381
2008					
Correction of error	33.4	-	-	4,497,092	4,497,092
Implementation of GAMAP		-	-	-	-
Change in Accounting policy		-	-	-	-
Restated Balance		-	23,490,520	2,683,953	26,174,473
Surplus for the year		-	-	(24,473,930)	(24,473,930)
Transfer to CRR		-	-	-	-
Property, Plant & Equipment purchased		-	-	-	-
Capital grants used to purchase PPE		-	5,877,176	(5,877,176)	-
Other transfers		-	-	-	-
Offsetting of Depreciation		-	(1,235,546)	1,235,546	-
Balance at 30 June 2008		-	28,132,150	(26,431,607)	1,700,543



Nala Local Municipality

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		212,518,799	156,725,674
Cash paid to suppliers and employees		(206,137,978)	(119,035,591)
Cash generated from operations	24	6,380,821	37,690,083
Interest received		1,911,574	1,025,394
Interest paid	21	(3,643,950)	(8,026,629)
NET CASH FLOWS FROM OPERATING ACTIVITIES		4,648,445	30,688,848
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,217,124)	(24,362,393)
(Increase) / Decrease in non-current receivables		52,077	332,045
(Decrease) / Increase in non-current investments		(193,077)	(291,573)
Increase / (decrease) non current provisions		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(9,358,124)	(24,321,921)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		167,173	246,062
Increase in consumer deposits		300,664	157,302
NET CASH FLOWS FROM FINANCING ACTIVITIES		467,837	403,364
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,241,842)	6,770,291
Cash and cash equivalents at the beginning of the year	25	14,959,358	8,189,067
Cash and cash equivalents at the end of the year	25	10,717,516	14,959,358
		(4,241,842)	6,770,291

Nala Local Municipality
Accounting policies for the Annual Financial Statements
For the year ended 30 June 2008

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and
 General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

No	Standard no.	Standard title
1	AC 105	Leases
2	AC 116	Employee benefits

The municipality is exempted from the following accounting reporting standards in terms of Government notice 504 dated 29 June 2007.

Financial reporting standard	Detail	Extend of exemption from standard
GRAP 3	Accounting policies, changes in accounting estimates and errors	Identification and impact of Grap standards that have been issued but are not yet effective and changes to accounting policies [Par 59-61 and 30 -31]
GAMAP 17	Property, plant and equipment	Review of depreciation method applied to PPE recognised in the annual financial statements
		Review of useful life of items of PPE recognised in the annual financial statements.
		Impairment of non-cash-generating assets
		Impairment of cash generating assets
IAS 36 (AC 128)	Impairment of assets	Entire standard
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		Disclosure of the fair value of the investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standards
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement
IAS 38	Intangible assets	The entire standard except for recognition, measurement and

Nala Local Municipality
Accounting policies for the Annual Financial Statements
For the year ended 30 June 2008

(AC 129)		disclosure of computer software and website costs and all other costs are expensed.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and financial liabilities at fair value.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale.
IFRS 7 (AC 144)	Financial instruments: Disclosure	Entire standard to be replaced by IAS 32(AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IAS 14 (AC 115)	Segmental reporting	Entire standard
IFRS 8 (AC 145)	Operating segments	Entire standard
IAS 11 (AC 109)	Construction contracts	Entire standard
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 25 and 26, replaced by paragraph 8 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraph 42 – 46 of GAMAP 9

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.2 Capital Replacement Reserve

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

Nala Local Municipality
Accounting policies for the Annual Financial Statements
For the year ended 30 June 2008

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

6.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Nala Local Municipality
Accounting policies for the Annual Financial Statements
For the year ended 30 June 2008

7. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

9. TRADE CREDITORS

Trade creditors are stated at their nominal value.

10. REVENUE RECOGNITION

10.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**Nala Local Municipality
Accounting policies for the Annual Financial Statements
For the year ended 30 June 2008**

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

17.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance

20. VAT

The municipality account for VAT on the payment basis.

NALA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 LONG-TERM LIABILITIES		
Annuity Loans	22,691,056	22,523,883
Less: Short term potion of long term liability	3,674,029	3,061,471
Total External Loans	19,017,027	19,462,412
Refer to Appendix A for more detail on long-term liabilities.		
2 Non Current Provisions		
None		
3 CONSUMER DEPOSITS		
Electricity and Water	1,013,225	712,561
Total Consumer Deposits	1,013,225	712,561
Guarantees held in lieu of Electricity and Water Deposits	12,096	12,095
4 CREDITORS		
4.1 Trade creditors	11,954,877	4,960,230
Payments received in advance from consumer debtors(Note	293,776	9,878,210
Outstanding cheques	15,652,528	16,127,939
Payments received in advance from other debtors (Note 13)	46,934	9,869
Total Creditors	27,948,115	30,976,248
4.2 Sundry Deposits	71,561	66,442
Sundry Deposits		
5 PROVISIONS		
Staff leave		
Balance at the beginning of the year balance	1,996,596	-
Contribution to provision	297,784	-
Balance at end of year	2,294,380	1,996,596
Bonus Provision		
Balance at the beginning of the year balance	968,026	-
Contribution to provision	(40,966)	-
Balance at end of year	927,040	968,026
Total Provisions	3,221,420	2,964,622
6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
6.1 Conditional Grants from other spheres of Government	503,885	5,834,211
MIG Grants	338,379	5,668,705
National Grants	-	-
Provincial Government grants	-	-
Other	165,506	165,506
Total Conditional Grants and Receipts	503,885	5,834,211
7 VAT		
VAT Input	1,152,296	1,495,197
VAT Output	(3,881,735)	(3,525,339)
VAT Payable	(2,729,439)	(2,030,142)

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9 INVESTMENTS		
Financial Instruments		
Non-Current		
Unlisted - Fixed Deposits Old Mutual	1,207,110.00	1,030,152
Unlisted - Senwes	73,133.00	57,014
	1,280,243	1,087,166
Plledged Investments		
Banking institutions	1,207,110	1,030,152
10 RECEIVABLES		
Property Loans	76,389	128,465
	76,389	128,465

11 INVENTORIES

Consumable stores – at cost	850,617	251,576
Total Inventory	850,617	251,576

12 CONSUMER DEBTORS**As at 30 June 2008**

	Gross Balance R	Bad Debt Provision R	Net Balance R
Rates	26,709,112	25,614,586	1,094,526
Electricity	3,215,579	1,539,324	1,676,255
Water	15,398,913	14,542,398	856,515
Sewerage	23,978,243	23,645,843	332,400
Refuse	41,470,942	41,118,878	352,064
Other	2,256,660	2,243,985	12,675
VAT	3,781,896	3,520,872	261,024
Total	116,811,345	112,225,886	4,585,459
Amounts received in advance (Note 4)	293,776	-	293,776
Total Consumer Debtors	117,105,121	112,225,886	4,879,235

As at 30 June 2007

	Gross Balance R	Bad Debt Provision R	Net Balance R
Rates	21,816,942	15,899,539	5,917,403
Electricity	4,694,258	3,418,231	1,276,027
Water	12,416,569	9,049,459	3,367,110
Sewerage	20,324,498	14,816,872	5,507,626
Refuse	33,941,857	22,347,874	11,593,983
Other	(3,288,584)	-	(3,288,584)
VAT	3,515,236	2,560,269	954,967
Total	93,420,776	68,092,244	25,328,532
Amounts received in advance (Note 4)	9,878,210	-	9,878,210
Total Consumer Debtors	103,298,986	68,092,244	35,206,742

Rates: Ageing

	2008 R	2007 R
Current (0 – 30 days)	1,147,316	(1,111,910)
31 - 60 Days	408,149	447,733
61 - 90 Days	721,863	404,486
> 90 Days	24,431,784	22,076,633
Total	26,709,112	21,816,942

(Electricity, Water, Refuse and Sewerage): Ageing

	2008 R	2007 R
Current (0 – 30 days)	7,676,483	3,755,529
31 - 60 Days	2,054,028	2,638,188
61 - 90 Days	3,326,010	2,418,122
> 90 Days	71,007,155	62,565,343
Total	84,063,676	71,377,182

NALA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
CONSUMER DEBTORS (Continue)		
<u>Summary of Debtors by Customer Classification</u>		
As at 20 June 2008		
Current (0 – 30 days)	7,332,319	2,017,458
31 - 60 Days	2,599,829	123,395
61 - 90 Days	3,725,572	327,879
91 - 120 Days	3,097,954	346,470
121 - 365 Days	2,587,821	176,982
	<u>89,692,616</u>	<u>4,277,902</u>
Sub-total	109,036,111	505,146
Less: Provision for bad debts	108,902,015	215,185
Total debtors by customer classification	<u>2,134,096</u>	<u>289,961</u>

Summary of Debtors by Customer Classification
As at 30 June 2007

Current (0 – 30 days)	(2,002,874)	(1,484,849)	(690,682)
31 - 60 Days	2,776,285	485,748	11,346
61 - 90 Days	2,656,409	309,908	11,111
91 - 120 Days	2,603,716	281,184	10,584
121 - 365 Days	2,605,863	284,941	5,904
	<u>78,188,469</u>	<u>6,615,968</u>	<u>751,746</u>
Sub-total	86,827,868	6,492,900	100,009
Less: Provision for bad debts	63,286,825	4,732,525	72,894
Total debtors by customer classification	<u>23,541,043</u>	<u>1,760,375</u>	<u>27,115</u>

Reconciliation of the bad debt provision

Balance at beginning of the year	120,111,543	108,489,561
Contributions to provision	42,595,360	12,197,285
Bad debt written off	311,688	575,303
Balance at end of year	<u>162,395,215</u>	<u>120,111,543</u>

Provision allocated as follows:

Consumer debtors (Note 12)	112,225,886	68,092,244
Sundry debtors (Note 13)	50,169,329	52,019,299
	<u>162,395,215</u>	<u>120,111,543</u>

13 OTHER DEBTORS

Creditors paid in advance (Note 4)	-	-
Sundry debtors	194,722	212,339
Ambulance debtors	637,508	86,833
Arrear Accounts	49,290,165	51,720,127
Salary control	2,256,044	2,964,588
Payments received in advance -(Note 4)	46,934	9,869
Less: Provision for Bad Debts	50,169,329	52,019,299
Total Other Debtors	<u>2,256,044</u>	<u>2,974,457</u>

NALA LOCAL MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
14 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
First National Bank - Corporate Account Services		
Branch: Account Number		
Primary Account		
Cash book balance at the beginning of the year	(9,653,134)	(2,405,530)
	(9,454,752)	(9,653,134)
Cash book balance at the end of the year	15,652,528	16,127,939
Add back outstanding cheques included as creditors (note 4)	6,197,776	6,474,805
Bank statement balance at the beginning of the year	1,043,624	394,544
Bank statement balance at the end of the year	4,016,016	1,043,624
First National Bank - Corporate Account Services		
Branch: Account Number 62002839506		
Direct Deposit Account		
Cash book balance at the beginning of the year	6,000	-
Cash book balance at the end of the year	8,000	6,000
Bank statement balance at the beginning of the year	2,031,593	7,799,670
Bank statement balance at the end of the year	2,048,208	2,031,593
Total of all bank accounts		
Total cash book balance at the beginning of the year	6,197,776	6,474,805
Cashbook balance / (overdraft) at year end	6,197,776	6,474,805
Bank statement balance at beginning of year	3,075,217	8,194,214
Bank statement balance at end of year	6,064,224	3,075,217
Cash and Cash Equivalents		
Casher floats & Petty cash	-	-
Call Accounts	4,519,739	8,484,553
Total Cash and Cash Equivalents	4,519,739	8,484,553
15 PROPERTY RATES		
Actual		
Residential	4,394,938	3,539,515
Agricultural	-	-
Commercial	5,371,589	4,326,073
State	262,230	211,190
Total Assessment Rates	10,028,757	8,076,778
Valuations	July 2008	July 2007
	R000's	R000's
Residential	244,702	244,702
Commercial	54,302	54,302
State	40,426	40,426
Municipal and other exempted	-	-
Total Property Valuations	339,430	339,430

NALA LOCAL MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
16 SERVICE CHARGES		
Sale of electricity	20,784,920	19,484,615
Refuse removal	16,330,960	15,786,355
Sewerage and sanitation charges	11,572,939	11,179,029
Sale of water	20,836,254	18,806,401
Total Service Charges	69,525,073	65,256,400
17 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	54,072,159	44,788,940
MIG Grants	86,887,724	40,346,675
Finance management grant	1,798	9,308
Health subsidy	-	196,528
Other	-	338,345
Total Government Grant and Subsidies	140,961,681	85,679,796

17.1 Equitable Share**17.2 Provincial Health Subsidies**

Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	-	(196,528)
Conditions met - transferred to revenue	-	196,528
Conditions still to be met - transferred to liabilities	-	-

17.3 MIG Grant

Balance unspent at beginning of year	5,668,705	-
Current year receipts	81,557,398	46,015,380
Conditions met - transferred to revenue	(86,887,724)	(40,346,675)
Conditions still to be met - transferred to liabilities (Note 6)	338,379	5,668,705

17.5 Finance Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1,798	9,308
Conditions met - transferred to revenue	(1,798)	(9,308)
Conditions still to be met - transferred to liabilities (Note 6)	-	-

17.8 LOTTO

Balance unspent at beginning of year	165,506	-
Current year receipts	-	165,506
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (Note 6)	165,506	165,506

Changes in levels of Government grants

NALA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
18 OTHER INCOME		
Admin: Housing	2,610	5,130
Advertisement	3,600	550
Burial fees	284,288	259,511
Clearance certificates	-	805
Connections	25,906	36,413
Connection fees	61,667	40,374
Connection water	13,713	19,799
Fire brigade fees	-	11,695
Infrastructure levies	10,508	19,309
Insurance claims received	29,575	17,842
Licenses: Hawkers	280	1,430
Posters	-	350
Pound fees	211	-
Private work: Closing down streets	18,991	7,052
Sales: Plastic refuse bags	-	167
Sales: Ground gravel	10,935	3,781
Sales: Erven	3,088,672	15,161
Sales: Plan copies	912	2,223
Sewerage Cleaning	-	399
Sundry	200,468	113,439
Testing of meters	586	1,510
Traffic	38,120	57,030
Valuation certificates	433	340
Total Other Income	3,791,475	614,310

19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	22,832,250	22,050,607
Employee related costs - Contributions for UIF, pensions and medical aids	5,369,956	4,849,164
Travel, motor car, accommodation, subsistence and other allowances	5,469,689	4,034,207
Housing benefits and allowances	324,635	261,518
Overtime payments	1,858,378	2,044,316
Bonus payments	1,824,178	1,679,614
Total Employee Related Costs	37,679,086	34,919,428

Remuneration of the Municipal Manager

Annual Remuneration	357,734	149,056
Performance Bonuses	-	-
Car Allowance	170,100	70,875
Contributions to UIF, Medical and Pension Funds	72,166	30,693
Total	600,000	250,624

Remuneration of the Chief Finance Officer

Annual Remuneration	325,844	154,215
Performance Bonuses	-	-
Car Allowance	147,600	88,467
Contributions to UIF, Medical and Pension Funds	74,922	44,578
Total	548,366	287,260

Remuneration of Director Corporate Services

Annual Remuneration	285,600	22,300
Performance Bonuses	-	-
Car Allowance	132,000	11,000
Medical and pension funds	62,400	5,325
Total	480,000	38,625

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Remuneration of Director Engineering Services		
Annual Remuneration	285,600	22,300
Performance Bonuses	-	-
Car Allowance	132,000	11,000
Medical and pension funds	62,400	5,325
Total	480,000	38,625

The Director Engineering Services is not a Council member.

20 REMUNERATION OF COUNCILLORS

Mayor	364,872	339,420
Speaker	294,777	274,224
Executive Committee Members	614,232	571,392
Councillors	2,054,322	1,910,952
Travel allowance	1,033,759	961,812
Councillors' pension contribution	465,246	432,876
Councillors' medical contribution	414,720	292,032
Total Councillors' Remuneration	5,241,928	4,782,708

In-kind Benefits

The Mayor and the Speaker and all the Councillors are provided with an office and secretarial support at the cost of the Council. The Mayor has access to a Council owned vehicle for official duties. The Council also provides the Mayor and Speaker with a telephone.

21 INTEREST PAID

Long-term liabilities	3,643,950	8,026,629
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22 BULK PURCHASES

Electricity	13,236,627	13,293,263
Water	11,354,979	10,730,336
Total Bulk Purchases	24,591,606	24,023,599

The municipality purchases electricity from Eskom and water from the Sediberg Water Board for resale and supply to the various departments.

23 GENERAL EXPENSES INCLUDES THE FOLLOWING:

Departmental usage: electricity, water, refuse, sewer	1,309,696	982,338
Small capital items purchased from income	-	780,954
Fuel and oil	161,337	1,314,456
Insurance: Casualties	3,519,015	945,579
Interest paid	656,920	31,500
LDO/IDP process	504,710	126,527
Legal fees	2,148,806	857,973
Material and stock	503,021	301,672
Professional/Consulting fees	1,836,025	-
Provision repay arrears creditors	1,842,632	-
Social responsibility: Mayor	1,478,432	352,893
Software licences	1,596,880	163,813
Special projects	84,942,022	16,722,415
Telephone costs	967,989	682,739
Vehicle costs	3,294,300	118,155
Other expenses	2,474,901	15,090,876
Total General Expenses	107,236,686	38,471,890

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
24 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(24,473,930)	29,291,056
Appropriations (Note 27)	4,497,092	(14,291,522)
Adjustment for:-		
Transfers to provisions	-	-
Depreciation	1,575,649	113,200
Carrying value of disposal	-	-
Interest paid	3,643,950	8,026,629
Investment income	(1,911,574)	(1,025,394)
Operating surplus before working capital changes:	(16,668,813)	22,113,969
(Increase) in inventories	(599,041)	(100,130)
(Increase) in debtors	30,327,507	(12,833,723)
Decrease in other debtors	718,413	(2,803,138)
Increase in conditional grants and receipts	(5,330,326)	5,834,211
(Decrease) in provisions	256,798	-
Increase in creditors	(3,023,014)	23,448,752
(Decrease) in VAT	699,297	2,030,142
Cash generated by/(utilised in) operations	6,380,821	37,690,083
25 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts:		
Cash book	6,197,776	6,474,805
Petty Cash	-	-
Call accounts	4,519,739	8,484,553
Total cash and cash equivalents	10,717,515	14,959,358
Cash and cash equivalents not available for use by the Municipality		
Outstanding Cheques	15,652,528	16,127,939
Grants	503,885	5,834,211
Total	16,156,413	21,962,150

The Municipality has no approved borrowing facilities.

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

26.1 Contributions to organized local government (Salga)

Opening balance	141,302	307,897
Council subscriptions	156,605	141,302
Amount paid - current year	(156,605)	(307,897)
Amount paid - previous years	(141,302)	-
Balance unpaid (included in creditors)	-	141,302

26.2 Audit fees

Opening balance	81,243	1,798,526
Current year audit fee	1,048,657	67,074
Amount paid - current year	(1,048,657)	-
Amount paid - previous years	(81,243)	(1,784,357)
Balance unpaid (included in creditors)	-	81,243

26.3 VAT

26.4 PAYE and UIF

Opening balance	702,200	-
Current year payroll deductions	2,999,802	3,209,283
Amount paid - current year	(2,274,098)	(2,507,083)
Balance unpaid (included in creditors)	1,427,904	702,200

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
26.5 Pension and Medical Aid Deductions		
Opening balance		84,778
Current year payroll deductions and Council Contributions	2,691,723	
Amount paid - current year	9,156,442	10,254,185
Amount paid - previous years	(9,071,665)	(7,647,240)
Balance unpaid (included in creditors)	2,776,500	2,691,723

26.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:-

30th June 2008

	Total R	Outstanding less than 90 days R
Kulashe, Dumezwen Josef	278	278
Lenake, Mamokone Rebecca	114	114
Liphahe, Matshidiso Elisa	-16	-
Maphisa, Feke Daniel	117	117
Maselo, Kholo Josia	5433	417
Mashiya, Martha Nozililo	273	273
Masisi, Daniel Mosola	28623	4,896
Mogoje, Theko Auboy	19649	3,837
Mohorosi, Mpane Martha	-185	-
Mpatane, Rathomo Daniel	139	139
Mpesi, Mampai Maria	95	95
Ntshabiseng, Tseliso Freddy	54	54
Nyamane, Mamolathiwa Annah	139	139
Sebokolodi, Modise Samuel	20022	2,936
Thebehae, Tselane Linah	1891	417
Zodala, Mapulane Rebecca	16654	598
Total Councillor Arrear Accounts	93280	14,310

30th June 2007

	R	R
Maselo, Kholo Josia	3987	454
Masisi, Daniel Mosola	21324	1,119
Mogoje, Theko Auboy	22437	401
Sebokolodi, Modise Samuel	20768	2,073
Thebehae, Tselane Linah	224	224
Zodala, Mapulane Rebecca	14904	521
Total Councillor Arrear Accounts	83644	4,792

Due to the fact that the Council are not pay arrear accounts that is not necessarily registered in their name the above amounts remain not reflected in the balance sheet of the Council.

26.7 Related parties

Related party relationships exist between the Municipality and the following parties:

- Mayor
- Speaker
- Councillors
- Municipal Manager and Section 57 personell (Managers)

30 June 2008

- Councillors
- Municipal Manager and S57 Personnel

Rates	Service	Total
4,989	108,908	113,897
-	6,708	6,708
4,989	115,616	120,605

30 June 2007

- Councillors
- Municipal Manager and S57 Personnel

Rates	Services	Total
3,772	98,484	102,256
509	7,273	7,782
4,281	105,757	110,038

Refer to note 19 and 20 for employee benefits of related parties

NALA LOCAL MUNICIPALITY **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
27 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	-	4,820,661
Infrastructure	-	4,820,661
Community	-	-
Heritage	-	-
Other	-	-
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
Total	-	4,820,661
This expenditure will be financed from:		
- Revenue	-	-
- Government Grants	-	4,820,661
	-	4,820,661
28 RETIREMENT BENEFIT INFORMATION		
Councillors Pension Fund	822,376	880,840
Freestate Municipal Pension Fund	496,056	458,084
Sala Pension Fund	2,467,560	2,360,437
SAMWU National Fund	3,009,692	129,157
Sanlam Provident Fund	557,402	548,875
	7,353,086	4,377,373

The Council has no employees. Therefore, the pension fund is not applicable. The SALA Pension Fund is the only pension fund for the Council.

29 CONTINGENT LIABILITY

No known contingent liabilities.

30 COMPARISON WITH THE BUDGET

The Council has not yet received any financial performance with regard to the 2008/09 financial year.

31 RISK MANAGEMENT

Liquidity risk

The municipality has no liquidity risk as it is not a financial institution. The municipality has no financial institution as it is not a financial institution.

The municipality has no liquidity risk as it is not a financial institution. The municipality has no financial institution as it is not a financial institution.

Interest rate risk

The municipality has no interest rate risk as it is not a financial institution. The municipality has no financial institution as it is not a financial institution.

Credit risk

The municipality has no credit risk as it is not a financial institution. The municipality has no financial institution as it is not a financial institution.

The municipality has no credit risk as it is not a financial institution. The municipality has no financial institution as it is not a financial institution.

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R2007
R**32 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP****33.1 IMPLEMENTATION OF GAMAP (Balances as per 30 June 2006)**

2006

33.1.1 Statutory Funds**Balance previously reported: -**

Capital Development Fund	11,797,774
Land Trust Fund	5,568,511
Other trust funds	1,658,407
Loans redeemed and other capital receipts	138,927,856
Total	157,952,548

Transferred to:

Accumulated Surplus/(Deficit)	157,952,548
	157,952,548

33.1.2 Provisions and Reserves**Balance previously reported**

Reserves	598,595
Provisions	1,522,571
Total	2,121,166

Transferred to Retained Income**2,121,166****33.1.3 Accumulated Depreciation****Balance previously reported**

	0
Backlog depreciation: Land and buildings	13,525
Backlog depreciation: Infrastructure	124,799,544
Backlog depreciation: Community	7,705,499
Backlog depreciation: Other	4,638,779
Transferred from Retained income	137,157,347

33.1.4 Transfers to Retained earnings (Implementation of GAMAP)**137,157,347****33.2 Take-on adjustments (System conversion)****33.2.1 Long-term Liabilities**

Balance previously reported	4,499,983
Arrears included in creditors	14,862,099
Balance restated	(19,216,350)
Correction included in Retained income	

33.2.2 Consumer deposits

Balance previously reported	900,900
Bank Guarantees	-
Restated balances	
Consumer deposits	-567,354
Bank Guarantees	12,095
Correction Included in Retained income	

33.2.3 Debtors

Balance previously reported	109,294,345
Debtors restated according to actual accounts	(131,494,408)
Correction included in Retained income	

33.2.4 Bad debt Provision (Working capital)

Balance previously reported	94,378,539
Restated balance	-108,489,561
Correction included in Retained income	

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
33.2.5 Trust & Reserve funds		
Balance previously reported		7,586,000
Restated balance		-7,226,918
Correction included in Retained income		<u> </u>
33.2.6 Loans redeemed & other capital receipts		
Balance previously reported		139,428,619
Restated balance		-138,927,858
Correction included in Retained income		<u> </u>
33.2.7 Creditors		
Balance previously reported		8,255,412
Restated balance		-80,812
Correction included in Retained income		<u> </u>
33.2.8 Provisions		
Balance previously reported		2,552,962
Restated balance		-2,964,622
Correction included in Retained income		<u> </u>
33.2.9 Cash & Bank		
Balance previously reported (Overdraft)		2,780,264
Restated balance		-2,405,530
Correction included in Retained income		<u> </u>
Impact on retained income		
Retained income adjustment between AFS at 30 June 2008 and balance carried forward for AFS 30 June 2007		8,702,409
Long term liabilities		165,732
Trust		359,082
Inocr		498,763
Provisions		-411,640
Consumer deposits		345,641
Debtors		22,200,063
Bad debt provision		-14,111,022
Sundry Creditors		8,194,600
Cash & Bank		374,734
Total		<u>26,318,362</u>
33.2.10 Accumulated Surplus/(Deficit)		
Retained Income		
Balance previously reported		42,556,884
Gamap implementation		-22,916,367
System conversion and other errors		-26,318,362
Opening balance 30 June 2006 restated		<u>-8,677,845</u>

33.3 Significant differences restated for the year ended 30 June 2007

33.3.1 Statement of financial performance

Revenue

Income previously reported	124,878,106
Income restated	160,742,737
Correction to income	<u>(35,864,831)</u>



Expenditure

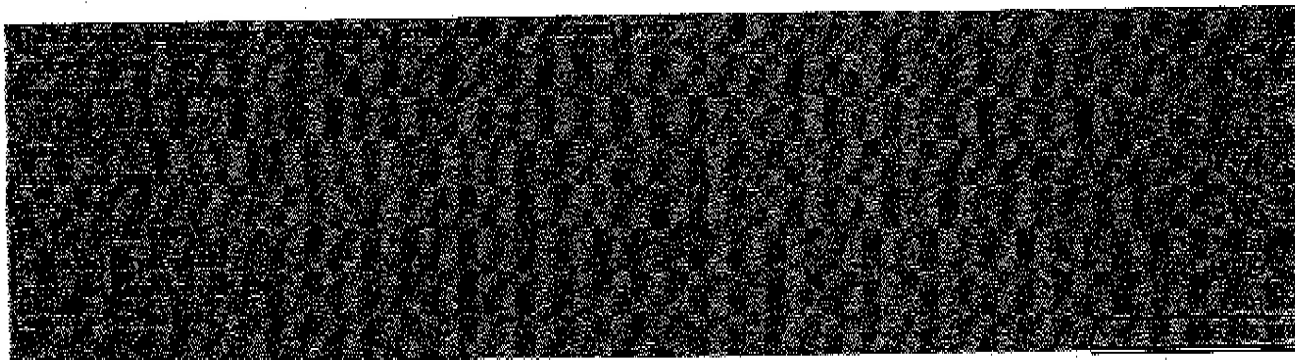
Expenditure previously reported	104,975,492
Expenditure restated	131,451,681
Correction to expenditure	<u>(26,476,189)</u>

NALA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R



The expenditure related to indigent subsidies paid was not disclosed as an expense

Not all accruals were done at year end and in some instances the accrued expense was included again as expenditure for the current year

Nett change on profit/Loss for the year

Adjustment to revenue

35,864,831

Adjustment to expenditure

(26,476,189)

9,388,442

33.3.2 Statement of net asset (Appropriations)

Accumulated surplus/(deficit) reported

(42,556,883)

Adjustments prior financial year

49,234,729

Restated balance

6,677,846

Correction of error (Bank recon adjustments)

(12,328,611)

Account errors

(1,992,910)

Restated Balance

(7,643,675)

Government Grant reserve



33.3.3 Statement of Financial Position



33.4 CORRECTION OF ERROR

Statement of net asset (Appropriations)

Correction of error (Bank recon adjustments)

(1,978,071)

Debtor corrections (Take-on balancing of subledger with control account)

(1,068,481)

Loan adjustments

(155,083)

VAT adjustments done in reconciling with SARS vat returns

(1,295,477)

(4,497,092)

34 CONTINGENT ASSETS



35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE



36 EVENTS AFTER THE REPORTING DATE



NALA LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 June 2007	Received during the year	Redeemed written off during the year	Balance at 30 June 2008
ANNUITY LOANS			R	R	R	R
DBSA						
9.00%	11330/101		285,959	29,007	314,966	-
16.15%	11331/101		351,131	37,501	388,632	-
16.00%	11332/101		546,568	88,003	634,571	-
16.75%	11333/101		671,296	108,086	779,382	-
16.75%	11334/101		24,890	1,262	26,152	-
16.75%	11335/101		94,442	4,788	99,230	-
16.75%	11336/101		25,545	1,295	26,840	-
17.15%	11337/101		870,078	136,311	1,006,387	-
13.41%	11338/101		300,079	16,019	316,098	-
13.41%	11339/101		16,897	824	17,721	-
13.41%	11340/101		60,483	3,240	63,723	-
13.41%	11341/101		53,348	2,855	56,203	-
17.45%	11342/101		97,407	5,663	103,070	-
17.45%	11343/101		104,189	6,057	110,246	-
17.45%	11344/101		29,109	1,463	30,572	-
17.45%	11345/101		960,481	153,688	1,114,169	-
17.25%	11346/101		496,945	67,724	564,669	-
17.45%	11347/101		123,972	6,830	130,802	-
10.25%	13122/101		147,965	7,607	155,572	-
10.25%	13123/101		39,223	1,649	40,872	-
13.45%	13124/101		1,991,767	302,087	2,293,854	-
13.75%	13125/101		1,469,700	221,377	1,691,077	-
16.38%	13126/101		1,446,429	229,832	1,676,261	-
15.80%	13127/101		3,488,794	546,087	4,034,881	-
13.95%	13128/101		3,311,829	517,103	3,828,932	-
17.25%	13581/102		187,502	6,845	194,347	-
15.75%	10571/11KV		5,196,856	646,751	5,843,607	-
12.50%	100565/101	30/09/2013	-	22,953,360	364,964	22,588,396
INCA						
17.00%	WSB107Z	31/12/2007	4,449	-	4,449	-
17.00%	WSB108M	30/06/2008	4,226	-	4,226	-
17.92%	WSB111Z	31/12/2011	122,323	-	19,663	102,660
TOTAL EXTERNAL LOANS.			22,523,880	26,103,314	25,936,138	22,691,056

NALA MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation			Accumulated Depreciation			Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Disposals	Closing Balance	Additions	Disposals		
Land and Buildings								
Land and Buildings	7,906,284	-	-	7,906,284	-	-	7,906,284	-
Sub Total	7,906,284	-	-	7,906,284	-	-	7,906,284	-
Infrastructure								
Drains	4,797,940	1,223,084	-	6,021,024	52,039,60	-	4,849,901	1,171,123
Roads	20,608,128	-	-	20,608,128	4,574,22	-	20,429,983	178,135
Sewerage mains & Purification	57,668,955	5,659,335	-	63,327,890	36,497,532.00	-	36,609,117	26,718,773
Electricity mains	27,885,080	-	-	27,885,080	1,111,595.21	-	27,884,971	69
Electricity Peak control equipment	278,065	-	-	278,065	278,059.00	-	278,059	6
Water mains & Purification	19,885,688	24,675	-	19,880,363	20,740.77	-	19,472,644	417,719
Reservoirs water	13,784,165	-	-	13,784,165	-	-	13,784,159	8
Water meters	2,591,370	-	-	2,591,370	2,591,366.00	-	2,591,366	4
Pedestrian facilities	-	-	-	-	-	-	-	-
Airports	30,677	-	-	30,677	-	-	30,674	3
Security Measures	57,622	-	-	57,622	-	-	57,602	20
Sub Total	147,567,270	6,907,094	-	154,474,364	1,188,940	-	125,968,486	28,485,878
Community assets								
Parks & Gardens	10,204	-	-	10,204	-	-	-	10,204
Libraries	1,215,896	-	-	1,215,896	-	-	1,215,893	3
Recreation Grounds	2,651,091	158,700	-	2,809,791	28,041	-	2,100,847	708,944
Civic Buildings	3,502,489	-	-	3,502,489	314	-	3,493,459	9,030
Clinics	697,478	-	-	697,478	-	-	697,470	8
Cemeteries	213,330	-	-	213,330	-	-	213,326	4
Other	13,983	-	-	13,983	-	-	13,981	2
Sub Total	8,304,471	158,700	-	8,463,171	29,355	-	7,734,976	728,195
Heritage Assets								
Historical buildings	-	-	-	-	-	-	-	-
Paintings & Art Galleries	-	-	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-	-	-
Housing Rental Stock								
Housing Schemes	13,528	-	-	13,528	13,525	-	13,525	1
Sub Total	13,528	-	-	13,528	13,525	-	13,525	1
Other Assets								
Landfill sites	2,590,412	-	-	2,590,412	-	-	2,590,408	4
Office Equipment	913,026	33,939	-	946,965	92,548	-	786,633	160,332
Furniture & Fittings	440,701	-	-	440,701	6,637	-	465,731	34,970
Bins & Containers	-	83,749	-	83,749	-	-	-	83,749
Emergency equipment	459,531	86,900	-	546,431	77,756	-	181,004	365,427
Motor Vehicles	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-
Other transport	-	-	-	-	-	-	-	-
Computer equipment	1,115,257	82,508	-	1,197,765	42,373	-	982,503	205,262
Plant & Equipment	137,795	1,893,635	-	2,001,430	137,896	-	152,786	1,848,644
Sub Total	5,666,723	2,150,731	-	7,807,453	357,210	-	5,109,085	2,698,388
Minor assets								
Small assets	-	599	-	599	144	-	144	455
Sub Total	-	599	-	599	144	-	144	455
Total	159,448,273	9,217,124	-	178,665,397	1,575,649	-	138,846,196	39,819,201

NALA MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Executive & Council	1,140.00	-	-	1,140.00	(60.000)	(183.000)	-	(223.00)	917.00	-
Finance & Admin	15,823,196.00	82,508.00	-	15,905,704.00	(7,659,298.000)	(51,697.000)	-	(7,710,995.00)	8,194,709.00	-
Planning & Development	221,686.00	34,538.00	-	256,224.00	(26,284.000)	(64,155.000)	-	(90,439.00)	165,785.00	-
Health	644,628.00	-	-	644,628.00	(644,821.000)	-	-	(644,621.00)	7.00	-
Community & Social	1,429,226.00	-	-	1,429,226.00	(1,429,218.700)	-	-	(1,429,218.70)	7.30	-
Housing	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	749,818.00	16,635.00	-	766,453.00	(725,059.000)	(6,734.000)	-	(731,793.00)	34,660.00	-
Environmental Services	-	-	-	-	-	-	-	-	-	-
Waste Management	60,341,478.00	5,829,984.00	-	66,171,462.00	(38,153,441.000)	(1,115,586.000)	-	(39,268,027.00)	26,902,435.00	-
Road Transport	21,989,400.00	3,070,084.00	-	25,059,484.00	(21,789,471.000)	(187,774.000)	-	(21,977,245.00)	3,082,239.00	-
Water	36,241,222.00	24,675.00	-	36,265,897.00	(35,827,427.000)	(20,741.000)	-	(35,848,168.00)	417,729.00	-
Electricity	31,544,949.00	158,700.00	-	31,703,649.00	(30,910,421.000)	(51,041.000)	-	(30,961,462.00)	742,187.00	-
Other	461,530.00	-	-	461,530.00	(105,246.000)	(77,758.000)	-	(183,004.00)	278,526.00	-
TOTAL	169,448,273.00	9,217,124.00	-	178,665,397.00	(137,270,547)	(1,575,649)	-	(139,346,196)	39,319,201	-

NALA MUNICIPALITY **APPENDIX E(1)**

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	Actual 2008 R	Budget 2008 R	Variance 2008 R	Variance 2008 %	Explanation of significant Variances
REVENUE					
Property rates	10,028,737.00	8,138,362	1,892,395	23.26	
Collection charges		-	-	-	
Service Charges	69,525,073.00	75,099,059	(5,573,986)	(7.42)	
Rental : Property & Equipment	50,801.00	58,448	(7,647)	(13.08)	
Interest earned - external investment	1,911,574.00	1,622,180	289,414	17.84	
Interest earned - outstanding debtors	8,948.00	52,000	(43,054)	(82.80)	
Fines	41,113.00	(99,840)	140,953	(141.18)	
Licenses & Permits	3,220.00	-	3,220	-	
Agency services		-	-	-	
Government grants & Subsidies	140,961,680.00	56,521,000	84,440,680	149.40	
Other income	3,791,475.00	(756,120)	4,547,595	(801.44)	
Less Revenue foregone					
Sub total	226,322,839	140,833,069	85,689,570	60.83	
Less Income forgone					
Total revenue	226,322,839	140,833,069	85,689,570		
EXPENDITURE					
Employee related costs	37,679,088	36,394,700	1,284,388	3.53	
Remuneration Councilors	5,241,928	4,639,240	602,688	12.99	
Contribution to Provisions	43,082,942	17,009,487	26,073,445	153.29	
Collection costs		-	-	-	
Depreciation	1,575,848	1,000,000	575,848	57.58	
Repairs & Maintenance	6,758,425	4,384,737	2,371,688	54.09	
Interest on external borrowings	3,843,950	3,298,102	545,848	10.49	
Bulk purchases	24,581,606	22,880,000	1,711,606	7.48	
Contracted services	6,048,620	5,637,200	371,420	6.59	
Grants & Subsidies paid	14,125,512	5,778,864	8,346,648	144.43	
General expenses- other	108,080,851	39,610,730	68,480,121	172.88	
Internal transfers/Departmental charges		-	-	-	
Total expenditure	250,796,569	140,833,070	110,163,499		
NET SURPLUS/(DEFICIT)	(24,473,930)	(1)	(24,473,929)		

NALA MUNICIPALITY
APPENDIX E(2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 June 2008

	Actual 2008 R	Budget 2008 R	Variance 2008 R	Variance 2008 %	Explanation of significant Variances
Land and Buildings					
Land and Buildings	-	0	-	-	
Subtotal	-	0	-	-	
Infrastructure					
Roads	-	6 265 000	(6 265 000)	(100.00)	
Sewerage mains & Purification	6 882 419	8 740 000	(1 857 581)	(21.25)	
Electricity mains	-	3 330 000	(3 330 000)	(100.00)	
Water mains & Purification	24 675	50 000	(25 325)	(50.65)	
Reservoirs water	-	-	-	-	
Water meters	-	60 000	(60 000)	(100.00)	
Security Measures	-	-	-	-	
Subtotal	6 907 094	18 445 000	(11 537 906)	(62.55)	
Community assets					
Parks & Gardens	-	-	-	-	
Libraries	-	-	-	-	
Recreation Grounds	158 700	440 000	(281 300)	(63.93)	
Civic Buildings	-	1 905 000	(1 905 000)	(100.00)	
Cemeteries	-	-	-	-	
Subtotal	158 700	2 345 000	(2 186 300)	(163.90)	
Heritage Assets					
Historical buildings	-	-	-	-	
Subtotal	-	-	-	-	
Housing Rental Stock					
Housing Schemes	-	-	-	-	
Subtotal	-	-	-	-	
Other Assets					
Landfill sites	33 938	280 000	(246 061)	(67.88)	
Office Equipment	-	-	-	-	
Furniture & Fittings	83 749	143 000	(59 251)	(41.43)	
Bins & Containers	-	-	-	-	
Emergency equipment	-	-	-	-	
Fire engines	88 900	6 265 000	(6 176 100)	(98.61)	
Other transport	82 508	90 000	(7 492)	(8.32)	
Computer equipment	1 883 835	315 000	1 568 835	491.83	
Plant & Equipment	-	-	-	-	
Subtotal	2 150 731	7 083 000	(4 932 269)	(69.63)	
Inventory Items					
Small assets	588	-	-	-	
Subtotal	588	-	-	-	
Total	9 217 124	27 883 000	(18 666 476)	(66.95)	

